

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BEDFORD

LAWRENCE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
12/10/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie L. Blackwell Chase	01-01-12 to 12-31-15
Mayor	Shawna M. Girgis	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Shawna M. Girgis	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Byron L. Buker	01-01-13 to 12-31-14
Utility Director	Misty Adams	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF THE CITY OF BEDFORD, LAWRENCE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Bedford (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 17, 2014

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CLERK-TREASURER  
CITY OF BEDFORD

CLERK-TREASURER  
CITY OF BEDFORD  
FEDERAL FINDINGS

***FINDING 2013-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA we noted the following errors:

1. The Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Water Treatment Plant Grant was incorrectly reported on the SEFA for year 2013 as \$158,877, an overstatement of \$11,877.
2. The Formula Grants for Rural Areas - Transit Grant Operating 2012 was incorrectly reported as \$8,036, an understatement of \$46,562.
3. The Formula Grants for Rural Areas - Transit Grant Operating 2013 was incorrectly reported as \$92,590, an understatement of 59,344.
4. The ARRA - Federal Transit - Capital Investment Grant of \$40,011 was not reported on the SEFA.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

CLERK-TREASURER  
CITY OF BEDFORD  
FEDERAL FINDINGS  
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash, payroll disbursements, and the preparation of the financial statement. The City's financial statement is prepared from the information in City's Annual Financial Report submitted on the Gateway system. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risks of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



*Julie Blackwell-Chase*

**BEDFORD CLERK-TREASURER**

LAWRENCE COUNTY, INDIANA

**CORRECTIVE ACTION PLAN**

***FINDING 2013-001***

Julie I. Blackwell Chase, Clerk-Treasurer, City of Bedford  
Phone Number: (812) 275-1604

Corrective Action Plan for Internal Controls over the Schedule of Expenditures of Federal Awards

The management of the City of Bedford has reviewed Finding 2013-001: Internal Controls over the Schedule of Expenditures of Federal Awards (SEFA) and has developed and will implemented the following additions to our internal controls procedures for year-end reporting:

1. Federal reimbursements received for all grants will continue to be abstracted from the general ledger and entered on the SEFA as instructed in Circular A-133.

2. The SEFA will be printed and distributed to each City department that has received federal awards during the year for their departmental review. The department supervisor will meet with the clerk-treasurer to discuss any modifications that may need to be made. Once the department supervisor's review is completed, the department supervisor will initial and date that portion of the SEFA that applies to his/her department as evidence that the department review has been completed.

3. Once all department reviews are completed and any modifications have been made to the SEFA, the updated SEFA will be printed and submitted to the clerk-treasurer for final review. When the clerk-treasurer has completed the final review, the clerk-treasurer will initial and date the SEFA as evidence the final review is completed.

4. When the clerk-treasurer has completed the final review, the annual report on the Gateway System will be submitted and an attestation will be signed by the clerk-treasurer.

***FINDING 2013-002***

Julie I. Blackwell Chase, Clerk-Treasurer, City of Bedford:  
Phone Number: (812) 275-1604

Corrective Action Plan for Internal Controls over Segregation of Duties

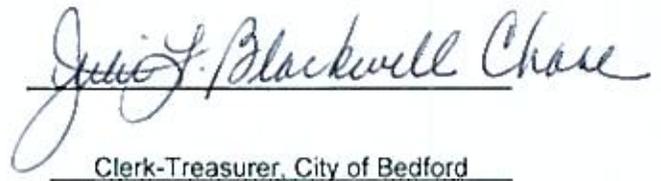
The management of the City of Bedford has reviewed Finding 2013-002: Internal Controls over Segregation of Duties and has developed and implemented the following additions to our internal controls procedures:

1. All monthly bank reconciliations continue to receive a final review by the clerk-treasurer. This is evidenced by initialing and dating each bank reconciliation on the day the final review is completed.

2. All payroll reports continue to receive a final review by the clerk-treasurer. This is evidenced by initialing and dating each payroll report on the day the final review is completed.

3. When the annual report is completed in the Gateway System, a hardcopy will be printed of all statements and reports. The clerk-treasurer will conduct a final review for all statements and reports. This will be evidenced by initialing and dating each report and schedule on the day the final review is completed.

4. When the clerk-treasurer has completed the final review, the annual report on the Gateway System will be submitted and an attestation will be signed by the clerk-treasurer.

  
Clerk-Treasurer, City of Bedford

October 17, 2014



*Julie Blackwell-Chase*  
**BEDFORD CLERK-TREASURER**  
LAWRENCE COUNTY, INDIANA

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS IN 46204-2769

RE: OFFICAL RESPONSE TO AUDIT FINDINGS

To Whom It May Concern:

On behalf of the City of Bedford, I wish to file a response to the audit findings for the period of January 1, 2013 to December 31, 2013 in the form of a letter to be bound in the official audit report.

*Finding 2013-001 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

The City of Bedford received in excess of \$500,000 in federal funds during calendar year 2013 and was, therefore, required to complete and file a Schedule of Expenditures of Federal Awards (SEFA) as part of the 2013 State Board of Accounts Annual Report submitted on the Gateway System. Federal awards received by the City of Bedford were receipted and disbursed according to federal guidelines but were reported incorrectly on the Gateway System. The management of the City of Bedford considers it the highest priority to maintain accurate financial records. Accordingly, *Finding 2013-001* has been reviewed and the following procedure has been developed and implemented:

1. Federal reimbursements received for all grants will continue to be abstracted from the general ledger and entered on the SEFA.
2. The SEFA will be printed and distributed to each City department that has received federal awards during the year for their departmental review. The department supervisor will meet with the clerk-treasurer to discuss any modifications that may need to be made. Once the department supervisor's review is completed, the department supervisor will initial and date that portion of the SEFA that applies to his/her department as evidence that the department review has been completed.
3. Once all department reviews are completed and any modifications have been made to the SEFA, the updated SEFA will be printed and submitted to the clerk-treasurer for final review. When the clerk-treasurer has completed the final review, the clerk-treasurer will initial and date the SEFA as evidence the final review is completed.
4. When the clerk-treasurer has completed the final review, the annual report on the Gateway System will be submitted and an attestation will be signed by the clerk-treasurer.

Finding 2013 - 002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

It is the highest priority of the management of the City of Bedford to implement policies and procedures which ensure taxpayer dollars are safeguarded and accurate financial records are maintained. Therefore, Finding 2013-002 has been reviewed and the following additions to our internal controls procedures have been developed and implemented:

1. All monthly bank reconciliations continue to receive a final review by the clerk-treasurer. This is evidenced by initialing and dating each bank reconciliation on the day the final review is completed.
2. All payroll reports continue to receive a final review by the clerk-treasurer. This is evidenced by initialing and dating each payroll report on the day the final review is completed.
3. When the annual report is completed in the Gateway System, a hardcopy will be printed of all statements and reports. The clerk-treasurer will conduct a final review for all statements and reports. This will be evidenced by initialing and dating each report and schedule on the day the final review is completed.
4. When the clerk-treasurer has completed the final review, the annual report on the Gateway System will be submitted and an attestation will be signed by the clerk-treasurer.

Respectfully,



Julie Blackwell Chase  
Clerk-Treasurer, City of Bedford  
October 27, 2014

CLERK-TREASURER  
CITY OF BEDFORD  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2014, with Julie L. Blackwell Chase, Clerk-Treasurer; Lisa Zehr, First Deputy Clerk-Treasurer; Shawna M. Girgis, Mayor; and Patrick Robbins, City Council member.